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ASSESSING THE EFFICACY OF BUSINESS TO BUSINESS METHODS OF SME FINANCING IN UGANDA A CASE ANALYSIS AND CONCEPTUAL FRAMEWORK

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Abstract

A key concern for policy makers and the private sector in Africa is how to increase SME access to finance on a sustainable basis in order to accelerate growth, employment and poverty alleviation. However, the pervasive characteristics of smallness and newness continue to make SMEs rarely able to meet the conditions set by financial institutions, which consider SMEs risky because of poor guarantees and lack of information about their ability to repay loans. As a result, SMEs continue to face a severe lack of access to formal finance from financial institutions. This paper reviews business-to- business (B2B) financing options as an alternative form of financing for SMEs and develops a conceptual framework to assess their efficacy. Using information obtained on two SME cases in Uganda, some issues are generated to justify further action to expand knowledge and promote increased use of business to business financing for SMEs.

Keywords : SME financing, B2B methods, Transnational companies (TNCs)

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